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CENTRAL INTELLIGENCE AGENCY

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REPORT

## INFORMATION REPORT

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1. In November, 1948, following negotiations by trade representatives of the Hungarian and Polish Governments, an agreement was signed in Warsaw establishing export-import trade conditions between the two countries. Preliminary negotiations, which took place in Warsaw during September and October 1948, were attended by the following government officials:

a. For Hungary

Mihaly SZILAGYI, head of the Customs Section of the Ministry of Trade, was the leader of the Hungarian delegation.

Karoly RAVASZ, secretary in the Ministry for Foreign Affairs.

Mihaly SZELE, a section chief in the Ministry of Industry.

Tamas SUGAR, secretary in the Ministry of Trade.

Marta SALGO, secretary in the Ministry of Trade.

Sandor SERLY, chief comptroller of the National Bank.

b. For Poland

ROMAN, leader of the Polish delegation; Minister of Trade in the BECK Government and was also formerly Polish Minister to Stockholm.

Josef NOVICKY, section chief in the Ministry of Trade.

FABIANSKY, counsellor in the Ministry of Trade.

LUTKIEWICZ, counsellor in the Ministry of Trade.

STANICKY, counsellor in the Ministry of Trade.

CEVONKA, counsellor in the Ministry of Trade.

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November 1948 and ends on 31 December 1949. Provision was also made for a three-year agreement beginning in November 1948 and a five-year agreement beginning at the same time; further details of the five-year pact will be discussed in Budapest during January 1949.

3. The value of goods to be exchanged during the first, or 14-month agreement, is ten million dollars for each country.

a. Principal Polish exports to Hungary will be as follows:

coal - 120,000 tons; coke - 180,000 tons

oil products - 50,000 cubic meters

anode mass (used in processing aluminum) - 4,000 tons

zinc - 15,000 tons

cadmium - 1 ton

paper (stationery) - valued at \$200,000.

Cast iron (quantity not recalled by source)

Cast steel (quantity not recalled by source)

transformer plate - 300 tons

dynamo plate - 500 tons

b. Main items on Hungarian list of planned exports to Poland are:

aluminum plate - 750 tons

rolled iron products - 4,000 tons

pharmaceutical products valued at \$500,000

electric light bulbs for motor vehicles - bulbs valued at \$200,000

Raw textiles from Poland valued at \$50,000 will be finished in Hungary and returned to Poland.

clover seed and broom straw (amount not recalled by source)

4. During the three-year period, Hungary promised to deliver to Poland machines and tools valued at 10 million dollars. These machines and tools will be used to develop Polish heavy industry. As partial compensation for these deliveries, Poland, during the first fourteen months of the agreement, will deliver to Hungary three and one half million dollars worth of goods and will grant Hungary a \$1,800,000 credit.

5. The chief controversy during the preliminary negotiations arose with regard to Hungarian aluminum and oil deliveries. Polish requests for 4,000 tons of aluminum plate, 30,000 tons of crude oil, and 50,000 tons of petroleum, were refused by the Hungarians. [redacted] that the Hungarians want to keep their aluminum rolling mills in constant year-round production and are willing to export aluminum plate and manufactured products only in quantities which do not disrupt the established production schedule; therefore, they refused to deliver the full amount of aluminum plate requested by Poland. The Polish request for petroleum products was denied because the Hungarians claimed their oil production is sufficient for home consumption only and that Hungary therefore has no oil for export. The Polish requested an option on Hungarian oil deliveries in the event that Hungarian oil production should increase sufficiently in the future to permit export. Although the Poles

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the Hungarians refused to grant the option.

4. In a separate exchange of confidential correspondence, the Polish Government offered Hungary the use of free harbor facilities in Stettin, Pomerania. He The Hungarian Government has not yet committed itself in this matter; if the Hungarians accept, they must pay for rebuilding the sector of the harbor which is to be used by them. The Czechoslovak Government has already accepted a similar offer.

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